

CHARLEVOIX TOWNSHIP

CHARLEVOIX, MICHIGAN

FINANCIAL STATEMENTS

AND OTHER FINANCIAL INFORMATION

for the year ended June 30, 2008

MASON & KAMMERMANN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CHARLEVOIX, MICHIGAN

Charlevoix Township

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MASON & KAMMERMANN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

January 5, 2009

Members of the Township Board
Charlevoix Township
Charlevoix, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the major fund and aggregate remaining fund information of Charlevoix Township of Charlevoix County, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the major fund and the aggregate remaining fund information of Charlevoix Township as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mason & Kammermann, P.C." in a cursive script.

Mason & Kammermann, P.C.
Certified Public Accountants

Charlevoix Township

Management's Discussion & Analysis

This section of Charlevoix Township's annual financial report presents our discussion and analysis of the financial performance of the Township during the fiscal year ended June 30, 2008.

Overview of the Financial Statements

This discussion and analysis introduces the Township's basic financial statements that follow this section. These financial statements are presented in a format to comply with Governmental Accounting Standards Board Statement 34 (GASB 34). Charlevoix Township's basic financial statements are comprised of three components: government-wide financial statements, fund financial statements and the notes to the financial statements. Additionally, this report also contains other supplementary information to the basic financial statements.

Government-wide Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets and the Statement of Activities includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The Statement of Net Assets presents information on all of Charlevoix Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Charlevoix Township is improving or deteriorating.

The Statement of Activities presents changes in the government's net assets during the most recent fiscal year, on the accrual basis of accounting.

Fund Financial Statements

The fund financial statements provide information separated into related areas to demonstrate how resources have been allocated for specific activities or functions. Charlevoix Township, like other governmental entities, uses fund accounting to ensure compliance with the requirements of accounting standards and laws. Charlevoix Township uses three categories of funds, which are governmental, proprietary and fiduciary funds.

Charlevoix Township

Management's Discussion & Analysis

Governmental Funds

Governmental funds are used to account for essentially the same functions as reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Township adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary Funds

Proprietary funds are used to account for the services provided by the Township where the Township charges customers (whether external or internal) for the services it provides. These funds use accrual accounting. The Township maintains one enterprise fund that is used to report the water operations and maintenance. It is reported as a business-type activity in the government-wide financial statements.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs.

Charlevoix Township

Management's Discussion & Analysis

Financial Analysis of the Township as a Whole

The table below shows, in a condensed format, the Township's net assets as of June 30, 2008:

Net Assets June 30, 2008 and 2007

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
<u>Assets</u>						
Current assets	\$ 1,731,037	\$ 1,429,905	\$ 407,311	\$ 336,234	\$ 2,138,348	\$ 1,766,139
Noncurrent assets						
Capital assets, net	1,008,645	1,076,923	1,393,588	1,435,893	2,402,233	2,512,816
Total assets	2,739,682	2,506,828	1,800,899	1,772,127	4,540,581	4,278,955
<u>Liabilities and Net Assets</u>						
Current liabilities	1,450	4,816	5,633	4,343	7,083	9,159
Net assets						
Contributed capital	-	-	600,313	600,313	600,313	600,313
Invested in capital assets, net	1,008,645	1,076,923	-	-	1,008,645	1,076,923
Unrestricted	1,729,587	1,425,089	1,194,953	1,167,471	2,924,540	2,592,560
Total net assets	<u>\$ 2,738,232</u>	<u>\$ 2,502,012</u>	<u>\$ 1,795,266</u>	<u>\$ 1,767,784</u>	<u>\$ 4,533,498</u>	<u>\$ 4,269,796</u>

The Township's total net assets from governmental activities are \$2,738,232. The proprietary fund has net assets totaling \$1,795,266. The township has \$1,729,587 of unrestricted governmental net assets, which could be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

Charlevoix Township

Management's Discussion & Analysis

The following table shows how activities affected changes in net assets during the fiscal year.

Change in Net Assets For the Years Ended June 30, 2008 and 2007

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program Revenues						
Charges for services	\$ 46,252	\$ 46,241	\$ 180,136	\$ 187,119	\$ 226,388	\$ 233,360
General Revenues:						
Property taxes	572,672	505,664	-	-	572,672	505,664
State shared revenues	116,166	117,991	-	-	116,166	117,991
Interest	41,176	58,038	6,595	4,890	47,771	62,928
Other	4,669	1,542	787	1,190	5,456	2,732
Total revenues	780,935	729,476	187,518	193,199	968,453	922,675
Expenses:						
Legislative	252,383	236,934	-	-	252,383	236,934
General government	159,502	182,018	-	-	159,502	182,018
Public safety	84,151	79,676	-	-	84,151	79,676
Public works	3,935	19,622	139,486	193,431	143,421	213,053
Health & welfare	18,559	16,826	-	-	18,559	16,826
Community/economic develop.	17,117	15,913	-	-	17,117	15,913
Recreation and cultural	29,618	30,168	-	-	29,618	30,168
Total expenses	565,265	581,157	139,486	193,431	704,751	774,588
Change in net assets before transfers	215,670	148,319	48,032	(232)	263,702	148,087
Transfers	20,550	20,550	(20,550)	(20,550)	-	-
Change in net assets	\$ 236,220	\$ 168,869	\$ 27,482	\$ (20,782)	\$ 263,702	\$ 148,087

Revenue sources and changes

Total revenue from all sources totaled \$968,453, of which \$780,935 was from governmental activities and \$187,518 was from business-type activities. Revenue from governmental activities is comprised 73.3% from property taxes, 14.9% from state shared revenue, 5.9% from charges for services and 5.3% from interest. Property taxes were the largest source of revenue for which there were 3 mills levied for general operations.

Charlevoix Township

Management's Discussion & Analysis

Expenses

Using a full accrual basis of accounting, the Township spent \$565,265 on governmental activities. This equates to 44.7% on legislative activities, 28.2% on general government, 14.9% on public safety, 5.2% on culture and recreation, 3.3% on health and welfare, 3.0% on community and economic development and .7% on public works.

Business-type Activity Highlights

Business-type activities show an increase in net assets of \$27,482 on total revenues of \$187,518. The largest source of revenue was from charges for services.

Financial Analysis of the Township's Funds

At June 30, 2008, the Township's governmental funds reported cash and investments of \$1,712,086, which is approximately \$300,893 more than last year.

Revenues in the General Fund exceeded expenditures by \$304,498, which increased the fund balance to \$1,729,587.

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the Board approve the original budget for the upcoming fiscal year prior to its starting on July 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the year on June 30.

The following schedule shows a comparison of the original fund budget, the final general fund budget and actual totals from operations:

	Original Budget	Final Budget	Actual	Variance Over /(Under)
Total Revenues	\$ 704,285	\$ 704,285	\$ 780,935	\$ 76,650
Total Expenditures	2,129,539	2,129,539	496,987	(1,632,552)
Excess of Revenues Over (Under) Expenditures	<u>\$ (1,425,254)</u>	<u>\$ (1,425,254)</u>	<u>\$ 283,948</u>	<u>\$ 1,709,202</u>

Charlevoix Township

Management's Discussion & Analysis

Capital Assets

At fiscal year ended June 30, 2008, the General Fund has \$1,008,645 in capital assets, net of accumulated depreciation. During the year, the Township invested \$18,333 in fire equipment and \$7,110 in other equipment.

Generally, capital assets include all purchases of assets that exceed \$1,000. Capital assets include: land, recreational land improvements, buildings, equipment, furniture and fixtures, and fire equipment. The Township uses straight-line depreciation for all depreciable assets.

Long-Term Debt

The Township had no outstanding long-term debt as of June 30, 2008.

Requests for Information

This financial report is designed to provide a general overview of Charlevoix Township's finances for all of those with an interest in the township's finances. If you have questions concerning this report or requests for any additional financial information, please contact Charlevoix Township, 12491 Waller Rd., Charlevoix, MI 49720.

Charlevoix Township

Statement of Net Assets June 30, 2008

	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Current Assets			
Cash and cash equivalents	\$ 1,228,957	\$ 382,251	\$ 1,611,208
Investments	483,129	-	483,129
Accounts receivable	18,343	16,330	34,673
Inventory	-	7,770	7,770
Due from other funds	608	960	1,568
Total current assets	1,731,037	407,311	2,138,348
Noncurrent Assets			
Capital assets	2,333,528	2,659,582	4,993,110
Less accumulated depreciation	(1,324,883)	(1,265,994)	(2,590,877)
Total noncurrent assets	1,008,645	1,393,588	2,402,233
Total assets	2,739,682	1,800,899	4,540,581
<u>Liabilities and Net Assets</u>			
Current Liabilities			
Accounts payable	490	5,633	6,123
Due to other funds	960	-	960
Total liabilities	1,450	5,633	7,083
Net Assets			
Contributed capital	-	600,313	600,313
Invested in capital assets	1,008,645	-	1,008,645
Unrestricted	1,729,587	1,194,953	2,924,540
Total net assets	\$ 2,738,232	\$ 1,795,266	\$ 4,533,498

The accompanying notes are a part of the financial statements.

Charlevoix Township

Statement of Activities For The Year Ended June 30, 2008

		Program Revenues			Net Revenue (Expense) and Change in Net Assets		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities	Expenses						
Legislative	\$ 252,383	\$ -	\$ -	\$ -	\$ (252,383)	\$ -	\$ (252,383)
General government	159,502	-	-	-	(159,502)	-	(159,502)
Public safety	84,151	37,495	-	-	(46,656)	-	(46,656)
Public works	3,935	8,630	-	-	4,695	-	4,695
Health and welfare	18,559	-	-	-	(18,559)	-	(18,559)
Community and economic development	17,117	127	-	-	(16,990)	-	(16,990)
Recreation and culture	29,618	-	-	-	(29,618)	-	(29,618)
Total government activities	565,265	46,252	-	-	(519,013)	-	(519,013)
Business-Type Activities							
Water	139,486	180,136	-	-	-	40,650	40,650
Total Primary Government	<u>\$ 704,751</u>	<u>\$ 226,388</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(519,013)</u>	<u>40,650</u>	<u>(478,363)</u>
General Revenues:							
Property taxes					572,672	-	572,672
State shared revenues					116,166	-	116,166
Interest					41,176	6,595	47,771
Other					4,669	787	5,456
Transfers - internal activity					20,550	(20,550)	-
Total general revenues and transfers					755,233	(13,168)	742,065
Change in net assets					236,220	27,482	263,702
Net assets - July 1, 2007					2,502,012	1,767,784	4,269,796
Net assets - June 30, 2008					<u>\$ 2,738,232</u>	<u>\$ 1,795,266</u>	<u>\$ 4,533,498</u>

The accompanying notes are a part of the financial statements.

Charlevoix Township

Governmental Funds Balance Sheet June 30, 2008

<u>Assets</u>	<u>General</u>
Cash and cash equivalents	\$ 1,228,957
Investments	483,129
Accounts receivable	18,343
Due from other funds	608
	<hr/>
Total assets	<u>\$ 1,731,037</u>
 <u>Liabilities & Fund Equity</u>	
Liabilities:	
Accounts payable	\$ 490
Due to other funds	960
	<hr/>
Total liabilities	1,450
 Fund Equity,	
Fund Balance - unrestricted	<hr/> 1,729,587
	<hr/>
Total liabilities & fund equity	<u>\$ 1,731,037</u>

The accompanying notes are a part of the financial statements.

Charlevoix Township

Governmental Funds Reconciliation of the Governmental Fund Balances of Governmental Activities to the Statement of Net Assets of Governmental Activities June 30, 2008

Total Fund Balances - Governmental Funds	\$ 1,729,587
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Amounts reported for governmental activities in the Statement
of Net Assets are different because:

Capital assets used in governmental activities are not financial
resources and are not reported in the governmental funds
balance sheet.

Cost of capital assets	2,333,528
Accumulated depreciation	<u>(1,324,883)</u>

Total net assets - governmental activities	<u><u>\$ 2,738,232</u></u>
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The accompanying notes are a part of the financial statements.

Charlevoix Township

Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance For The Year Ended June 30, 2008

	<u>General</u>
Revenues:	
Property taxes	\$ 572,672
State shared revenue	116,166
Licenses and permits	127
Charges for services	46,125
Interest	41,176
Other	<u>4,669</u>
Total revenues	780,935
Expenditures:	
Current:	
Legislative	252,383
General government	131,224
Public safety	43,050
Public works	3,935
Health and welfare	18,559
Community and economic development	17,117
Recreation and culture	5,276
Capital outlay	<u>25,443</u>
Total expenditures	<u>496,987</u>
Excess of Revenues Over (Under) Expenditures	283,948
Other Financing Sources:	
Transfers in	<u>20,550</u>
Net change in fund balance	304,498
Fund balance - July 1, 2007	<u>1,425,089</u>
Fund balance - June 30, 2008	<u><u>\$ 1,729,587</u></u>

The accompanying notes are a part of the financial statements.

Charlevoix Township

Governmental Funds Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities of Governmental Funds For The Year Ended June 30, 2008

Net Change in Fund Balance - Governmental Funds	\$ 304,498
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives	25,443
Depreciation expense is recorded in the statement of activities but not the governmental fund financial statements	<u>(93,721)</u>
Changes in net assets - governmental activities	<u>\$ 236,220</u>

The accompanying notes are a part of the financial statements.

Charlevoix Township

Proprietary Fund Statement of Net Assets June 30, 2008

<u>Assets</u>	<u>Water</u>
Current Assets	
Cash	\$ 382,251
Accounts receivable	16,330
Inventory	7,770
Due from other funds	960
	<hr/>
Total current assets	407,311
Noncurrent Assets	
Capital assets	2,659,582
Accumulated depreciation	(1,265,994)
	<hr/>
Total noncurrent assets	1,393,588
	<hr/>
Total assets	<u><u>\$ 1,800,899</u></u>
 <u>Liabilities and Net Assets</u>	
Liabilities:	
Accounts payable	\$ 5,633
 Net Assets:	
Contributed capital	600,313
Net assets - undesignated	1,194,953
	<hr/>
Total net assets	1,795,266
	<hr/>
Total liabilities and net assets	<u><u>\$ 1,800,899</u></u>

The accompanying notes are a part of the financial statements.

Charlevoix Township

Proprietary Fund Statement of Revenues, Expenditures and Changes in Net Assets For The Year Ended June 30, 2008

	<u>Water</u>
Operating Revenues:	
Water sales	\$ 131,672
Connection fees	17,900
Rental income	30,564
Miscellaneous	<u>787</u>
Total revenues	180,923
Cost of Goods Sold	
Connection expenses	<u>4,761</u>
Gross profit	176,162
Operating Expenses	
Professional services	3,937
Depreciation	62,777
Utilities	42,078
Repair and maintenance	21,388
Other	<u>4,545</u>
Total expenditures	<u>134,725</u>
Operating income	41,437
Nonoperating Revenue	
Interest income	<u>6,595</u>
Excess of Revenues Under Expenditures	48,032
Other Financing Uses:	
Transfers out	<u>(20,550)</u>
Net Change in Net Assets	27,482
Net assets - July 1, 2007	<u>1,767,784</u>
Net assets - June 30, 2008	<u><u>\$ 1,795,266</u></u>

The accompanying notes are a part of the financial statements.

Charlevoix Township

Proprietary Fund Statement of Cash Flows For The Year Ended June 30, 2008

	Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES:	
Fees and services	\$ 184,477
Payments for goods and services	<u>80,195</u>
Net cash provided by operating activities	104,282
CASH FLOWS FROM INVESTING ACTIVITIES	
Fixed asset acquisitions	\$ (20,472)
Interest earned	<u>6,595</u>
Net cash used in investing activities	(13,877)
CASH FLOWS FROM NONOPERATING FINANCING ACTIVITIES	
Transfers to other funds	<u>(20,550)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	69,855
CASH AND CASH EQUIVALENTS, July 1, 2007	<u>312,396</u>
CASH AND CASH EQUIVALENTS, June 30, 2008	<u><u>\$ 382,251</u></u>
COMPONENTS OF CASH AND CASH EQUIVALENTS:	
Unrestricted	<u><u>\$ 382,251</u></u>
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 41,437
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	62,777
Decrease in accounts receivable	3,554
Increase in inventory	(4,776)
Increase in accounts payable	<u>1,290</u>
Net cash provided by operating activities	<u><u>\$ 104,282</u></u>

The accompanying notes are a part of the financial statements.

Charlevoix Township

Fiduciary Fund Statement of Net Assets June 30, 2008

Assets

Cash

\$ 608

Liabilities

Due to other funds

\$ 608

The accompanying notes are a part of the financial statements

Charlevoix Township

Fiduciary Fund Statement of Changes in Fiduciary Net Assets For The Year Ended June 30, 2008

Additions:

Property Tax Collections for:	
Primary government	\$ 555,853
Other governments	5,788,223
Interest income	<u>13,532</u>
Total additions	<u>6,357,608</u>

Deductions:

Property Tax Distributions to:	
Primary government	569,385
Other governments	<u>5,788,223</u>
Total deductions	<u>6,357,608</u>

Change in net assets	-
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Fiduciary net assets - July 1, 2007	<u>-</u>
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Fiduciary net assets - June 30, 2008	<u><u>\$ -</u></u>
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The accompanying notes are a part of the financial statements.

Charlevoix Township

Notes To Financial Statements For The Year Ended June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Charlevoix Township (Township) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Charlevoix Township.

A. Reporting Entity

The Township operates under a Board-Supervisor form of government and provides the following services: public safety (fire), zoning, and general administrative services.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Local Unit (primary government). The criteria established by the GASB statements for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based on these criteria, the Township has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Charlevoix Township

Notes To Financial Statements For The Year Ended June 30, 2008

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

General Fund – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those that are required to be accounted for in another fund.

Proprietary Funds – Proprietary Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for the capital maintenance public policy, management control, accountability, or other purposes.

Fiduciary Fund – The Fiduciary Fund is used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Fiduciary Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Charlevoix Township

Notes To Financial Statements For The Year Ended June 30, 2008

D. Assets, Liabilities, and Net Assets or Equity

Cash and cash equivalents

Cash and cash equivalents include amounts held in bank accounts and money markets. Cash deposits and money market funds are reported at carrying amount, which reasonably estimates fair value.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds".

Inventory

Inventory included in the Proprietary Fund Type is valued at the lower of cost (first-in, first-out) or market.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives.

Buildings	40 years
Furniture & Fixtures	10 years
Equipment	5 years
Recreational Land Improvements	30 years
Safety Equipment	20 years

Charlevoix Township

Notes To Financial Statements For The Year Ended June 30, 2008

All proprietary funds are accounted for on a cost of services or “capital maintenance” measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included in their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by the proprietary fund is charged as an expense against its operations. Accumulated depreciation totals \$1,265,994 in the proprietary fund balance sheet. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	50 years
Plant and Equipment	15-60 years

Long-term Obligations

As of June 30, 2008, the Township has no outstanding long-term debt.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The Township used estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Charlevoix Township

Notes To Financial Statements For The Year Ended June 30, 2008

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 15, the Township Board submits a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted.
4. The Treasurer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Enterprise Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles.
7. Appropriations expire at the end of the fiscal year.

Budgeted amounts are as originally adopted, or as amended by the Township Board. Individual amendments were not material in relation to the original appropriations.

Excess of Expenditures over Appropriations in Budgeted Funds

The Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended, (MCL 141.421 et seq.) provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. During the year, the Township did not incur expenditures in the General Fund in excess of amounts appropriated. The Township's budgeted and actual expenditures have been shown on a function basis.

Accumulated Fund Deficits

The Charlevoix Township had no funds with an accumulated fund balance/retained earnings deficit at June 30, 2008.

Charlevoix Township

Notes To Financial Statements For The Year Ended June 30, 2008

NOTE 3 – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Cash and Cash Equivalents – At June 30, 2008, the carrying amount of the Township's cash and cash equivalents were \$1,228,957 for governmental activities and \$382,251 for business-type activities.

Investments – As of June 30, 2008, the Township's investments are carried at fair value totaling \$483,129, and are backed by U.S. Government obligations. The nature of the investment funds does not allow for risk categorization, which is in accordance with GASB Statement No. 3.

Federal Depository Insurance – Of the above balances, \$1,504,722 was covered by federal depository insurance and U.S. Government guarantees. The remaining \$589,615 was uninsured and uncollateralized. State statutes prohibit security in the form of collateral, surety bonds or another form to be taken for the deposit of public funds. The township may experience significant fluctuations in deposit balances during the year.

NOTE 4 – PROPERTY TAXES

Property taxes are levied on July first and December first and are payable on September fourteenth and February fourteenth, respectively. Property tax revenues are recognized when levied.

The Township levied 3 mills for general operations on state taxable valuation of \$178,188,362 on the 2007 tax roll.

The Township also bills and collects taxes for other governmental units, which are accounted for in an Agency Fund.

Charlevoix Township

Notes To Financial Statements For The Year Ended June 30, 2008

NOTE 5 – CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	Balance at July 1, 2007	Additions	Dispositions	Balance at June 30, 2008
Capital assets not being depreciated				
Land	\$ 6,134	\$ -	\$ -	\$ 6,134
Capital assets being depreciated				
Buildings	157,345	-	-	157,345
Equipment & Furniture	60,954	-	-	60,954
Equipment	249,808	7,110	-	256,918
Recreation	872,591	-	-	872,591
Safety Equipment	961,253	18,333	-	979,586
Total Capital Assets	2,308,085	25,443	-	2,333,528
Less: Accumulated Depreciation	(1,231,162)	(93,721)	-	(1,324,883)
Total Net Capital Assets	<u>\$ 1,076,923</u>	<u>(68,278)</u>	<u>-</u>	<u>\$ 1,008,645</u>

Depreciation expense was charged to the Township's functions as follows:

General Government	\$ 28,278
Public Safety	41,101
Recreation	<u>24,342</u>
	<u>\$ 93,721</u>

Following is a summary of Water Fund assets at June 30, 2008:

Land	\$ 15,690
Building	54,224
Wells and wellhouses	404,860
Equipment	234,799
Water lines	1,001,403
Storage tanks	<u>948,606</u>
Total assets	2,659,582
Less: accumulated depreciation	<u>(1,265,994)</u>
Total	<u>\$ 1,393,588</u>

Charlevoix Township

Notes To Financial Statements For The Year Ended June 30, 2008

NOTE 6 – RECEIVABLES & PAYABLES

Interfund receivables and payables of the individual funds are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 608	\$ 960
Tax Fund	-	608
Water Fund	960	-
	<u> </u>	<u> </u>
Total	<u>\$ 1,568</u>	<u>\$ 1,568</u>

NOTE 7 – RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; error and omissions; injuries to employees and natural disasters.

The Township belongs to the Michigan Township Participating Plan, which currently operates as a common risk management and insurance program for various municipalities throughout the state. The Township pays an annual premium for its general insurance and workman's compensation coverage. The Plan is self-sustaining through member premiums and 100 percent reinsures through commercial companies.

NOTE 8 – PENSION PLAN

The Township has a defined contribution plan covering its full time employees. The Board approved a 6 percent contribution of each covered employee's wages to the plan. The net pension expense for the fiscal year ended June 30, 2008, was \$7,878.

Charlevoix Township

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison For The Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	\$ 562,760	\$ 562,760	\$ 572,672	\$ 9,912
State shared revenue	75,000	75,000	116,166	41,166
Charges for services	46,125	46,125	46,125	-
Licenses and permits	400	400	127	(273)
Interest	20,000	20,000	41,176	21,176
Other	-	-	4,669	4,669
Total revenues	704,285	704,285	780,935	76,650
Expenditures:				
Legislative				
Township Board				
Salaries	150,000	150,000	122,220	(27,780)
Payroll taxes	13,000	13,000	11,815	(1,185)
Health insurance	30,000	30,000	22,794	(7,206)
Pension	13,000	13,000	7,878	(5,122)
Insurance	40,000	40,000	37,987	(2,013)
Office supplies	12,000	12,000	5,409	(6,591)
Printing and publishing	4,000	4,000	4,230	230
Professional services	15,000	15,000	15,236	236
Other expenses	16,000	16,000	24,814	8,814
Total legislative	293,000	293,000	252,383	(40,617)
General Government				
Township Supervisor				
Salary	24,558	24,558	24,558	-
Travel	500	500	500	-
Total township supervisor	25,058	25,058	25,058	-
Elections				
Salary	2,000	2,000	728	(1,272)
Supplies	500	500	-	(500)
Printing and publishing	500	500	108	(392)
Other expenses	3,000	3,000	79	(2,921)
Total elections	6,000	6,000	915	(5,085)

Charlevoix Township

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison For The Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Township Assessor				
Contracted services	25,000	25,000	19,305	(5,695)
Supplies	10,000	10,000	500	(9,500)
Total township assessor	35,000	35,000	19,805	(15,195)
Township Clerk				
Salary, clerk	22,857	22,857	22,858	1
Salary, deputy clerk	990	990	990	-
Travel	500	500	500	-
Other	200	200	75	(125)
Total township clerk	24,547	24,547	24,423	(124)
Township Board of Review				
Salaries	2,500	2,500	1,750	(750)
Township Treasurer				
Salary, treasurer	20,227	20,227	19,883	(344)
Travel	500	500	845	345
Total township treasurer	20,727	20,727	20,728	1
Summer Tax Collection				
Supplies	1,000	1,000	-	(1,000)
Travel	-	-	-	-
Manatron	-	-	-	-
Total summer tax collection	1,000	1,000	-	(1,000)
Township Hall				
Telephone	6,000	6,000	4,347	(1,653)
Utilities	5,000	5,000	3,000	(2,000)
Repairs and maintenance	15,000	15,000	7,560	(7,440)
Total township hall	26,000	26,000	14,907	(11,093)
Grounds and Equipment				
Operating supplies	9,000	9,000	8,767	(233)
Repairs and maintenance	35,000	35,000	14,871	(20,129)
Total grounds and equipment	44,000	44,000	23,638	(20,362)
Total General Government	<u>184,832</u>	<u>184,832</u>	<u>131,224</u>	<u>(53,608)</u>

Charlevoix Township

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison For The Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Public Safety				
Fire Department				
Operating supplies	2,000	2,000	4,061	2,061
Telephone	2,000	2,000	694	(1,306)
Repairs and maintenance	12,000	12,000	5,958	(6,042)
Utilities	3,000	3,000	3,000	-
Other expenses	30,000	30,000	29,337	(663)
Total public safety	49,000	49,000	43,050	(5,950)
Public Works				
Professional services	10,000	10,000	-	(10,000)
Road improvements	235,000	235,000	3,935	(231,065)
Road maintenance	25,000	25,000	-	(25,000)
Total public works	270,000	270,000	3,935	(266,065)
Health & Welfare				
Ambulance	18,559	18,559	18,559	-
Community and Economic Development				
Zoning Board				
Salary	15,000	15,000	10,720	(4,280)
Supplies	6,000	6,000	81	(5,919)
Travel	1,500	1,500	500	(1,000)
Professional services	20,000	20,000	5,420	(14,580)
Printing and publishing	4,000	4,000	281	(3,719)
Other expenses	2,000	2,000	115	(1,885)
Total community and economic development	48,500	48,500	17,117	(31,383)
Recreation and Culture				
Utilities	4,000	4,000	3,245	(755)
Repairs and maintenance	25,000	25,000	2,031	(22,969)
Total recreation and culture	29,000	29,000	5,276	(23,724)

Charlevoix Township

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison For The Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Capital Outlay				
Fire equipment	50,000	50,000	18,333	(31,667)
Other equipment	86,648	86,648	7,110	(79,538)
Sewer project	1,000,000	1,000,000	-	(1,000,000)
Recreation land improvements	100,000	100,000	-	(100,000)
Total capital outlay	1,236,648	1,236,648	25,443	(1,211,205)
Total expenditures	2,129,539	2,129,539	496,987	(1,632,552)
Excess of Revenues Over (Under) Expenditures	(1,425,254)	(1,425,254)	283,948	1,709,202
Other Financing Sources:				
Transfers in	20,000	20,000	20,550	550
Net change in fund balance	(1,405,254)	(1,405,254)	304,498	1,709,752
Fund balance - July 1, 2007	1,425,089	1,425,089	1,425,089	-
Fund balance - June 30, 2008	<u>\$ 19,835</u>	<u>\$ 19,835</u>	<u>\$1,729,587</u>	<u>\$ 1,709,752</u>

MASON & KAMMERMANN, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

HUGH E. MASON
VELDA K. KAMMERMANN

110 Park Avenue
Charlevoix, Michigan 49720
Telephone (231) 547-4911
Facsimile (231) 547-5911

January 5, 2009

To the Board of Trustees
Charlevoix Township

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Charlevoix Township for the year ended June 30, 2008, and have issued our report thereon January 5, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, dated December 5, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Charlevoix Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2008. We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 5, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Trustees and management of Charlevoix Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Mason & Kammermann, P.C.

Mason & Kammermann, P.C.
Certified Public Accountants

MASON & KAMMERMANN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

HUGH E. MASON
VELDA K. KAMMERMANN

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Charlevoix, Michigan 49720
Telephone (231) 547-4911
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January 5, 2009

To the Township Board
Charlevoix Township
Charlevoix, Michigan

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Charlevoix Township as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Charlevoix Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses:

Segregation of Duties

A properly designed system of internal control segregates the accounting responsibilities from employees who have access to physical assets such as cash, investments and payroll, from authorization and approval of transactions and account reconciliations. The small size of the administrative staff precludes a complete segregation of duties resulting in more than a remote risk that material misstatements could occur and not be detected during normal activities.

Preparation of Financial Statements

During the course of our audit, it was noted employees and/or management have limited technical expertise to prepare the Township's financial statements and notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. The preparation of the Township's financial statements and notes in accordance with accounting principles generally accepted in the United States of America is the responsibility of management. Management is also responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the notes to the financial statements, in conformity with accounting principles generally accepted in the United States of America.

The Township, as is common with smaller entities, has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Township's ability to prepare financial statements in accordance with accounting principles generally accepted in the United States of America is based, in part, on its reliance on its external auditors, who cannot by definition be considered part of the government's internal controls.

The result of this condition is that the Township lacks internal controls over the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and instead relies, in part, on its external auditors for assistance with this task.

This communication is intended solely for the information and use of management, the Board of Trustees, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,


Mason & Kammermann, P.C.
Certified Public Accountants